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South Africa, Republic of

Grain and Feed

Monthly Update

2005

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Report Highlights:
South Africa's 2004 corn crop now being harvested is estimated at 12.2 million tons, 25% bigger than the 2003 crop. This harvest, coupled with last year's carry over stocks, greatly increases the over supply. This abundance leads to low producer prices and farmers are unsure what to do when the new planting season starts in September. Wheat farmers have already decided to cut back the area planted to wheat this year.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Pretoria [SF1]
[SF]

Summary

South Africa's total corn crop planted in 2004 and currently being harvested is now estimated at 12.15 million tons, 25% bigger than the crop planted in 2003. The area planted increased by only 4.3% to 3.3 million hectares but the yield increased. The crop on commercial farms (11.9 million tons) is expected to produce a new record yield of 4.1 tons per hectare.

The abundant crop is reflected in the producer prices reported by SAFEX. The July 2005 white corn price dropped by more than 47% from R1,089/ton on November 1, 2004 to R574/ton on June 28, 2005. The price drop is the cumulative effect of the favorable crop prospects and the big carry over which reached nearly 3 million tons of old season stocks by the end of April 2005. With total annual consumption at about 8.7 million tons, the oversupply situation is clear. Exports are picking up due to the low prices and depreciated Rand, coupled to strong demand in Zimbabwe and Malawi. Even if this demand for about 1.5 million tons could be met, and total exports jump to 1.8 million tons, it would still not have a major effect on the oversupply situation. Farmers are considering cutting back the area to be planted this year while looking at ethanol production as the long-term solution.

The wheat situation is included in the report but is mainly unchanged from previous reports.

US$1 = Rand 6.65 (06/29/05)

www.sagis.org.za
www.grainsa.co.za
www.safex.co.za
www.fews.net
www.wfp.org
www.grains.org
www.weathersa.co.za
www.sadc-fanr.org.zw

CORN

PSD Table

Country	South Africa					
Commodity	Corn					
1000 ha.	2003	Revised	2004	Estimate	2005	Forecast
1000 MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post[New]
Market Year Begin		05/2004		05/2005		05/2006
Area Harvested	3300	3240	3500	3343	3400	2675
Beginning Stocks	2443	2420	2956	2935	4156	4670
Production	9700	9710	12000	12150	9500	8775
TOTAL Mkt. Yr. Imports	219	222	150	150	100	100
Oct-Sep Imports	495	553	175	150	100	100
Oct-Sep Import U.S.	61	62	0	10	0	0
TOTAL SUPPLY	12362	12352	15106	15235	13756	13545
TOTAL Mkt. Yr. Exports	729	773	2000	1800	1800	1750
Oct-Sep Exports	797	449	1500	500	2000	600
Feed Dom. Consumption	4077	4040	4300	4100	4200	4200
TOTAL Dom. Consumption	8677	8644	8950	8765	8900	8850
Ending Stocks	2956	2935	4156	4670	3056	2945
TOTAL DISTRIBUTION	12362	12352	15106	15235	13756	13545

Production

The South African National Crop Estimates committee released its fifth estimate of the 2004 (year of planting) summer crops on June 20, 2005. The commercial corn crop is estimated at 11.9 million metric tons, 3% more than the previous estimate. This will be the biggest crop since 1992 when production reached 12.1 million tons. The total area planted to corn is estimated at 3.34 million ha, up 4.3% on the 3.24 million ha. planted in 2003. The current area planted is 17% or 780,000 hectares down on the recent high of 4 million hectares planted in 1996 and 34% or 1.8 million hectares down on the record 5 million hectares planted in 1986.
The following table contains the details:

	2003 area planted, ha.	Yield MT/ha	2003 crop MT	2004 area planted, ha.	Yield MT/ha	2004 third crop estimate, MT
Commercial						
White corn	1,842,000	3.2	5,805,000	1,845,000	3.8	7,063,500
Yellow	1,001,300	3.7	3,677,000	1,084,500	4.4	4,819,600
Total	2,843,300	3.3	9,482,000	2,929,500	4.1	11,883,100
Developing						
White	281,890	0.6	170,890	324,960	0.6	202,755
Yellow	78,920	0.7	57,180	88,480	0.7	63,193
Total	360,810	0.6	228,070	413,440	0.6	265,948
Total corn						
White	2,123,890	2.8	5,975,890	2,169,960	3.3	7,266,255
Yellow	1,080,220	3.5	3,734,180	1,172,980	4.0	4,882,793
TOTAL	3,240,110	3.0	9,710,070	3,342,940	3.5	12,149,048

The improvement in yields over the past few seasons is the main cause of the current overproduction. The improvement is due to generally favorable weather conditions, as well as increased input use and improved seed and production practices. The main reason for the record yields can probably be found in the 30% cutback in area planted over the past decade, a direct result of the implementation of the free market system. Market pressures forced farmers to cultivate only the better soils. Irrigation is also a factor, 3.8% or 70,110 ha. of the area planted to white corn is estimated to be under irrigation this year and 11%, or 119,295 ha. of the area planted to yellow corn. Total irrigated area thus reached 189,405 ha. where the average yield exceeds 10.5 tons per hectare for a potential production of nearly two million tons.

The overproduction over the past few seasons has put the industry in a dilemma. Carry over stock is high and export markets limited. As a result producer prices are low, and production uneconomical for all but the most cost effective farmers. In the short term the plan is to convince farmers to voluntarily cut back the area to be planted in 2005, or even not plant corn at all. This strategy is not likely to succeed, but a 15 to 20% cutback in area is possible.

If farmers cut the 2005 area planted by 20% the total area planted will be about 2.675 million hectares. If the irrigated area and input use are also cut back the average yield can drop to less than 3.3 mt/ha. which should produce a crop of less than 9 million tons even if weather conditions are favorable. We used 8.775 million tons for the PS&D but this forecast will change when planting intentions become clear.

In the long term, there is a strong move towards ethanol production. The plan is to produce ethanol from about 3 million tons of corn annually to remove stocks from the market and stabilize prices. As a signatory to the Kyoto protocol, the government seems to support the idea. Adding ethanol (or biodiesel) to fuel is an easy way to cut emissions and show compliance with the principles of the protocol.

Consumption

Commercial deliveries, that is corn delivered to the silos according to the South African Grain Information Service (SAGIS), forms the basis of the commercial supply and distribution. To correlate the commercial S&D with a specific crop we use the March to February deliveries and not the formal May to April marketing year. The March and April deliveries are then added to the new season's deliveries and deducted from the May 1 carry over. The latest commercial PS&D's are summarized below:

FAS 2003 final	My May 04/April 05	Commercial S&D	Final
'000 Metric tons	White	Yellow	Total
B/Stocks	2030	390	2420
Adjusted crop est.	5805	3677	9482
Farm retentions	117	281	398
Deliveries	5688	3396	9084
Imports	1	221	222
Total supply	7719	4007	11726
Exports	709	64	773
Dom. Cons.	4665	3353	8018
Ending stocks	2345	590	2935

FAS 2004 estimate	MY May05/April 06	Commercial S&D	Forecast
'000 Metric tons	White	Yellow	Total
B/Stocks	2345	590	2935
Comm.crop	7065	4820	11885
Farm retentions	130	320	450
Delivery forecast	6935	4500	11435
Imports	0	150	150
Total supply	9280	5240	14520
Exports	1650	150	1800
Dom. Cons.	4675	3375	8050
Ending stocks	2955	1715	4670

Trade

South Africa's June exports and the progressive total for the season to date is shown in the following table. Zimbabwe, a major market, took 164,000 tons in the first eight weeks of the new marketing season. About 31,500 tons was shipped from East London in mid May and 38,650 tons in mid June in addition to the usual road transport. The shipments by sea are done through the ports of Beira and Maputo in Mozambique after a long haul down to the South African east coast, the total route probably about four times longer than direct road shipments from the northern production areas. Increased traffic highlights the bottlenecks in road and rail transport direct to Zimbabwe.

The cost of the grain depends on where it is available, the SAFEX price is ex Randfontein (near Johannesburg) and there are location differentials depending on the distance from Randfontein. This means that some stocks from the silos closer to Zimbabwe may be cheaper than the SAFEX quotes.

Inspection, GMO testing and bagging costs must be added to the price. The corn must be GMO free and the bulk of road and rail shipments are bagged. Rail would be the preferred form of transport as it is the cheapest at between US$40 and 60/ton depending on the destination. However, rail capacity is limited with a turn around time of about two weeks and at this stage it is not a viable option. Road transport costs vary between $85 and 100/ton, again depending on the final destination, and is used extensively.

It is clear, however, that the current rate of exports of about 40,000 tons per week will not make a dent in the expected carry over of more than 4.5 million tons by the end of April 2006. We expect the season's exports to reach about 1.8 million tons taking Zimbabwe's declared intention to buy 1.2 million tons and Malawi's intention to buy 300,000 tons into account. Zimbabwe's current purchases averages about 20,000 tons per week which should allow sales to the end of March 2006 to reach a million tons if the transport system could cope and the money is available. Malawi's purchases will have to use the same transport system and suffers from the same constraints.

The following table contains recent exports.

June 2005 Corn Exports	06/04-06/10	06/11-06/17	06/18-06/24	04/30-06/24 Progressive
White corn	**Metric ton**			**Total**
Botswana	1931	2262	3742	26381
Ghana		2021	1183	3312
Kenya		20500		20500*
Lesotho	2962	2175	15113	19087
Malawi			288	288
Mozambique	264	2009	3414	10775
Namibia	26	30	236	5743
Swaziland	485			3182
Zimbabwe	9140	48553	19545	163733*
Total white	**14,808**	**77,550**	**29,921**	**253,001**
Yellow corn				
Botswana	61	45	34	261
Iran		24671	9304	72373
Lesotho	10		440	714
Mozambique				516
Namibia	319	162	105	2545
Swaziland	174	91	194	3824
US-Swazi	1914	307		
Total yellow	**3,178**	**25,276**	**10,077**	**80,233**
TOTAL CORN	**17,986**	**102,826**	**39,998**	**333,234**

* By sea from East London.
** Including two shipments of 31,500 tons and 38,650 tons by sea from East London through Mozambique.

Prices

Futures prices	March 2005	May 2005	July 2005	September 05
White corn/mt.				
11/01/04	R1071=$175.6	R1089=$178.5	R1100=$180.3	
11/29/04	R976=$166.8	R993=$169.7	R1009=$172.5	
12/28/04	R749=$131.4	R771=$135.3	R784=$137.5	
01/25/05	R551=$ 91.8	R580=$ 96.7	R603=$100.5	R624=$104.0
03/01/05	December 05	R513=$ 88.4	R538=$ 92.8	R557=$96.0
03/30/05	R642=$101.9	R577=$ 91.6	R592=$ 94.0	R613=$97.3
04/28/05	R618=$101.3	R542=$ 88.9	R558=$ 91.5	R580=$ 95.1
	December 2005	March 2006		
05/31/05	R651=$99.4	R681=$104.0	R593=$90.5	R612=$93.4
06/27/05	R634=$94.5	R670=$99.9	R574=$85.5	R593=$88.4
Yellow corn/mt.				
11/01/04	R1041=$170.7	R1005=$164.8	R1010=$165.6	
11/29/04	R927=$159.0	R912=$155.9	R930=$159.0	
12/28/04	R791=$138.8	R804=$141.0	R797=$139.8	
01/25/05	R639=$106.5	R649=$108.2	R646=$107.7	R675=$112.5
03/01/05	December 05	R583=$100.5	R600=$103.4	R621=$107.0
03/30/05	R683=$108.4	R615=$97.6	R635=$100.8	R657=$104.3
04/28/05	R662=$108.5	R595=$97.5	R606=$99.3	R630=$103.3
	December 2005	March 2006		
05/31/05	R686=$104.7	R703=$107.3	R630=$96.2	R653=$99.7
06/27/05	R669=$99.7	R705=$105.1	R607=$90.5	R629=$93.7
Wheat/mt	December 2005	March 2006	July 2005	September 2005
05/31/05	R1491=$227.6	R1512=$230.8	R1529=$233.4	R1535=$234.4
06/27/05	R1481=$220.7	R1521=$226.7	R1603=$238.9	R1580=$235.5

WHEAT

PSD Table

Country	South Africa					
Commodity	Wheat					
1000 ha.	2003	Revised	2004	Estimate	2005	Forecast
1000 MT	USDA [Old]	Post [New]	USDA [Old]	Post [New]	USDA [Old]	Post [New]
Market Year Begin		10/2003		10/2004		10/2005
Area Harvested	748	748	850	830	770	779
Beginning Stocks	898	897	596	614	586	545
Production	1540	1540	1700	1680	1625	1600
TOTAL Mkt. Yr. Imports	1278	1278	1300	1350	1300	1300
Jul-Jun Imports	911	837	1400	850	1300	850
Jul-Jun Import U.S.	488	414	0	200	0	250
TOTAL SUPPLY	3716	3715	3596	3644	3511	3445
TOTAL Mkt. Yr. Exports	379	379	350	374	350	380
Jul-Jun Exports	356	320	350	350	350	350
Feed Dom. Consumption	10	30	10	30	10	30
TOTAL Dom. Consumption	2741	2722	2660	2725	2660	2730
Ending Stocks	596	614	586	545	501	335
TOTAL DISTRIBUTION	3716	3715	3596	3644	3511	3445

Production

The National Department of Agriculture did a planting intentions survey at the end of April 2005. Farmers indicated that they intended to plant 779,400 hectares to wheat this season, 50,600 ha. or 6.1% less than in 2004. In 1997 farmers still planted 1.4 million hectares and produced 2.4 million tons while in 1988 they planted 2 million hectares and produced 3.6 million tons. The nearly 44% or 600,000 ha. cutback in area planted since 1997 is probably the result of the deregulation of the industry.

Of the 830,000 ha. planted in 2004, 83.4% or 692,000 ha. was planted on dry land and 16.6% or 138,000 ha. irrigated. The following table contains the details by province.

	Area planted,	Hectares	
Province	Dry land	Irrigation	Total
Western Cape	352,00 (99.6%)	1,600	354,000
Northern Cape	1,300	49,800 (97.5%)	51,100
Free State	331,450 (94.0%)	21,150	352,600
Eastern Cape	1,720	2,280	4,000
Kwazulu-Natal	50	6,550 (99.2%)	6,600
Mpumalanga	1,250	14,450 (92%)	15,700
Limpopo	0	15,500 (100%)	15,500
Gauteng	250	2,250 (90%)	2,500
North West	3,500	24,500 (87.5%)	28,000
TOTAL	691,920 (83.4%)	138,080 (16.6%)	830,000

Consumption and trade

While consumption patterns are stable, imports are likely to reach 1.35 million tons this My 2004/05 season after 1.28 million was imported in 2003/04. With the smaller area to be planted this year a crop of about 1.6 million tons can be expected meaning that imports are likely to reach 1.3 million tons again in My 2005/06.

The following table shows imports and exports since the start of the current season in October 2004.

Imports, metric tons 10/02/04-06/24/05	For Africa	For South Africa	Total
Argentina	98,527	408,623	579,150
USA	31,946	163,495	194,991
Australia		106,950	106,950
United Kingdom		27,586	27,586
Germany	10,450	49,282	59,732
Total	140,923	827,936	968,859
Exports, metric tons			
Botswana			60,324
Lesotho			47,394
Namibia			10,107
Swaziland			26,619
Zambia			48,333
Zimbabwe			39,329
Total			232,106